

Plan Would Close Deficit without Forcing the Middle Class to Pay the Bill

[Read the Schakowsky Deficit Reduction Plan](#)

WASHINGTON, DC (November 16, 2010) – Today Rep. Jan Schakowsky (D-IL), a member of the bipartisan National Commission on Fiscal Responsibility and Reform, offered a comprehensive proposal to reduce the federal deficit without making middle class Americans foot the bill. Schakowsky's plan is an alternative to the Bowles-Simpson plan and would reduce the deficit by \$441 billion in 2015, surpassing President Obama's \$250 billion target. Critically, the Schakowsky plan accomplishes deficit reduction without making cuts to essential federal expenditures that benefit the middle class. In unveiling her proposal, Schakowsky made the following statement:

"The President's Fiscal Commission has been given a concrete goal: to achieve primary budget balance in 2015, ensuring that all spending is paid for except for interest on the national debt.

Last week, co-chairs Erskine Bowles and Alan Simpson laid out their plan, which they presented to the Commission and to the public. Their proposal would have serious consequences for lower and middle class Americans, and that is why I cannot support it.

“I am releasing my own plan today because I believe that there is a better way to achieve our goal – one that protects the poor and the middle-class.

“Lower and middle class Americans did not cause the deficit.

“Just ten years ago the federal budget was generating a surplus as far as the eye could see. That surplus was turned into a deficit due to massive tax cuts – mainly to wealthy Americans; two wars paid for by borrowed money; and a major recession caused by the recklessness of the big Wall Street banks.

“Over the last decade the incomes of middle class Americans have actually shrunk, while those of the wealthiest two percent of the population have exploded.

“The middle class did not benefit from the Republican economic policies that led to the current deficit – they were the victims – they should not be called upon to pick up the tab.

“Fixing the Federal deficit is not an end in itself. The goal of budget policy should be to assure long-term, widely shared economic growth. Economic growth is not just good for businesses and families – it will reduce the deficit. Sustained, long-term economic growth requires that we end the trend of concentrating more and more wealth in the hands of the rich and less and less in the hands of a middle class that can then afford to buy the products and services that will sustain economic growth.

“The proposals included in this plan are aimed at bringing the federal deficit under control using policies that will put Americans back to work and strengthen middle class incomes: the foundation of long-term economic growth.

The Schakowsky plan is based on five key elements:

1) Increased economic stimulus to spur growth in the immediate term

- Provide \$200 billion to invest over the next two years in measures to create jobs and spur economic growth, including passing the Local Jobs for America Act; and funding for education and law enforcement; Unemployment Insurance, Federal Medical Assistance Percentages (FMAP) and Supplemental Nutrition Assistance Program extensions; and infrastructure.
- Adopt the President's proposals to eliminate overseas tax havens and incentives for outsourcing

2) Smart, targeted spending cuts

- Non-Defense Discretionary – \$7.55 billion in savings through increased efficiency and cuts to programs that benefit large corporations that don't need assistance.
- Defense Discretionary – \$110.7 billion in cuts from the 2015 defense budget, including efficiency savings, reducing our troop levels, cutting weapons systems we don't need, and scaling back the wartime increases in the size of the military.

3) Mandatory spending cuts

- Health Care – at least \$31.2 billion in savings by implementing measures to bring down the cost of health care to the federal government and lower health care inflation overall.
- Other – \$7.7 billion in savings by cutting agriculture subsidies in half, and redistributing federal support to offer greater benefits to small family farms reduce subsidies to large

corporate agribusiness.

4) Reductions in tax expenditures

- Raise \$132.2 billion by closing tax subsidies for companies that ship American jobs overseas.

5) Increases in revenues

- Raise \$144.6 billion in revenue through progressive reforms to the estate tax, treating capital gains and dividends as regular income, and enacting a cap and trade proposal that includes protections for lower-income people.
- Enact President Obama's budget proposal to let the Bush tax cuts for the top 2 brackets expire and return to 2009 estate tax levels.
- Non-tax revenue – raise \$7 billion by addressing places where the private sector is currently under-paying.

On Social Security

Schakowsky:

“There is a better way than the Simpson-Bowles proposal – which relies heavily on benefit cuts instead of revenue increases.

“Social Security has nothing to do with the deficit. Addressing the Social Security issue as part of the deficit question is like attacking Iraq to retaliate for the 9/11 attacks – there is simply no relationship between the two and attempting to conflate them does a grave disservice to America’s seniors.

“Taking money from Social Security retirees whose average total income is \$18,000 per year and average benefit is \$14,000 (\$12,000 for women) is simply wrong. It places them at fiscal risk and hurts the economy because they will be unable to purchase the goods they need. Americans in poll after poll have indicated their opposition to benefit cuts – particularly at a time when Wall Street bankers are making record bonuses.

The Schakowsky alternative does not contain any cuts to Social Security.

- It ensures long-term solvency to Social Security by eliminating the wage cap on the employer side and raising it to 90% on the employee side, applying FICA to all wage income

below the cap, and establishing a modest legacy tax on wealthier Americans.

- Surplus funding that can be used to improve the extremely-modest benefits that are now provided.

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